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Rhode Island Current Conditions Index -- May 2019

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CURRENT CONDITIONS INDEX

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VOL XXVI
NUMBER 6
May 2019

Rhode Island's May performance was in many ways a repeat of what we witnessed during the prior two months: We have moved beyond and sustained Current Conditions Index values above the 33 of February, so contraction appears to have been temporary at best. Yet the CCI hasn't moved that strongly above the 33 value either. The Current Conditions Index for May remained where it has been since March, 58, as seven of the twelve indicators improved. In a continuation of what has been occurring, virtually none of the improving indicators exhibited much strength, except for **Retail Sales**, which has now become our "star" indicator. And, while I can easily cite a host of statistics pointing to Rhode Island's economy slowing to the point of concern, I have modified my earlier assessment that I can no longer rule out the possibility the Rhode Island has entered the earliest stages of a recession. As of May, I do not believe Rhode Island has entered into any stage of a recession, but based on its recent tepid economic performance, we aren't that far away from a recession either. So, while we appear to have a reprieve for now at least, there remains cause for concern. Clearly, Rhode

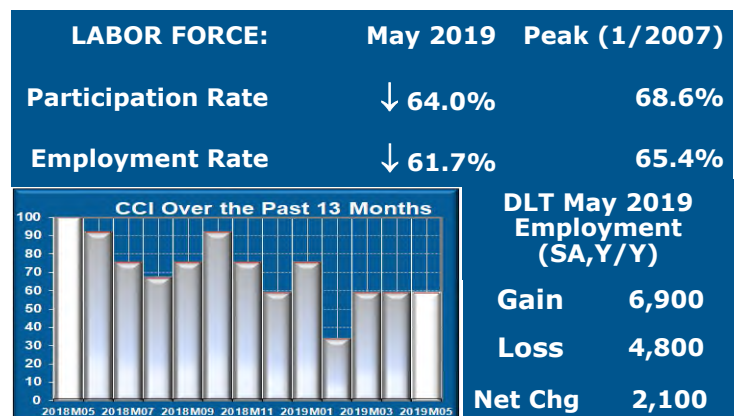
Unemployment Rate, while touted as the sole indicator of our state's economy by state government, remain meaningless. Citing their values does, however, provide a great way for them to mislead with statistics. Sadly, May was the twelfth consecutive month for which the CCI has failed to exceed its year-earlier value, reflective of weakening momentum.

As stated earlier, **Retail Sales**, the "star" indicator, once again did surprisingly well in May, growing by 7.1 percent. The **Manufacturing Wage** rose (+1.5%), but this was only its fifth increase since September. **New Claims**, the most timely measure of layoffs, bounced back following a horrible month (-4.3%) that was at least partially attributable to the Stop & Shop strike. In spite of this, this indicator has only improved six times over the past year, so it has yet to re-establish a downtrend, something clearly needed if we are to avoid a recession. **US Consumer Sentiment** rose this month for only the second time in the last eight months. The two highly cyclical leading economic indicators contained in the Current Conditions Index, **Single-Unit Permits** and **Total Manufacturing Hours**, turned in disappointing performances in May. **Total Manufacturing Hours**, a proxy for manufacturing output, fell by 7.8 percent, its eighth consecutive decline, as both employment and the workweek contracted once again. Most disturbing is the fact that the manufacturing workweek has now declined on a yearly basis every month since last October. While this is likely partly related to tariffs and the trade dispute, this weakness might be with us for a while, so one should not dismiss the marked deterioration of this indicator as purely "noise." **Single-Unit Permits**, a measure of new home construction, fell in May (-8.2%) after a one-month rise last month. It has now declined for ten of the last twelve months. Declining interest rates will not likely have a significant impact on this indicator, given our static population and declining resident employment. **Employment Service Jobs**, a leading indicator that includes temps, rose, albeit barely, in May (+0.1%), **Government Employment** fell over the year following eight consecutive increases, **Private Service-Producing Employment** rose, barely, for the third time this year and **Benefit Exhaustions** rose for the second month.

CCI Indicators - % Change	
Government Employment	-0.2
US Consumer Sentiment	2.1 Y
Single-Unit Permits	-8.2
Retail Sales	7.1 Y
Employment Services Jobs	0.1 Y
Priv. Serv-Prod Employment	0.5 Y
Total Manufacturing Hours	-7.8
Manufacturing Wage	1.5 Y
Labor Force	-0.6
Benefit Exhaustions	1.4
New Claims	-4.3 Y
Unemployment Rate (change)	-0.4 Y
Y = Improved Value	

Island's economy has downshifted into first gear with slowing momentum as negative elements have gained in relative importance. Looking at the recently revised data, however, that fact is extremely discouraging since our state's economy has largely been flat since 2015. Please note: *this assessment has nothing whatsoever to do with our #50 rank in the most recent CNBC business survey.* The fall from #45 last year to 50 this year was likely related to the extremely discouraging data revisions we received recently. But as with any 50-state comparison, the CNBC survey is highly arbitrary in terms of both its criteria and weightings. I refuse to believe that the quality of life in RI is below the national average (#28), for example.

So, for May, we again find the number of employed Rhode Island residents falling on a monthly basis, as it has all of this year, remaining well below its late 2006 peak. Ditto for our state's **Labor Force**, which has resumed its long-term downtrend after only a short reprieve. The recent declines in our state's



58		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018	75	100↑	83↑	83↑	100↑	92↑	75	67↓	75↑	58↑	83↑	58↑
	2019	75	33↓	58↑	58	58							